

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /091 R

DRAFTED BY NEA/RA:DTMORRISON:JR

APPROVED BY NEA:SSOBER

NEA/ARP:FDICKMAN

L/NEA:BKHUFFMAN (INFO)

EB/CSB:JNESVIG (INFO)

COM/CAGNE:JHEARN (INFO)

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R 140309Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY DAMASCUS

AMEMBASSY AMMAN

C O N F I D E N T I A L STATE 062075

E.O. 11652: GDS

TAGS: ETEL, SA

SUBJECT: BOYCOTT: IBM DECISION TO END NEGATIVE CERTIFICATIONS

1. IBM OFFICIALS (LAW OF WASHINTGON OFFICE AND CARRAZZONE OF N.Y. DISTRIBUTION CENTER) CALLED ON DEP ASST SECY SOBER ON MARCH 11 TO DISCUSS RECENT IBM DECISION TO END PROVIDING NEGATIVE CERTIFICATIONS OF ORIGIN IN SHIP-
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PING INSTRUCTIONS FOR DELIVERIES TO COUNTRIES APPLYING

BOYCOTTS AGAINST COUNTRIES FRIENDLY TO U.S. POLICY IS GLOBAL, APPLYING ALSO TO ALL IBM OVERSEAS SUBSIDIARIES.

2. IN FIRST TEST ON SMALL SHIPMENT, SAUDI CONGEN OFFICIALS AT N.Y. FLATLY REJECTED IBM REQUEST FOR CONSULAR CERTIFICATION OF IBM INVOICE USING POSITIVE CERTIFICATION OF ORIGIN. IBM OBTAINED U.S.-ARAB CHAMBER OF COMMERCE VERIFICATION OF ORIGIN AND PRICING PRIOR TO SEEKING SAUDI CONGEN CERTIFICATION.

3. IBM CLEARLY WANTS TO MAINTAIN IMPORTANT COMMERCIAL TIES WITH SAUDI ARABIA AND OTHER ARAB STATES BUT IS UNABLE AS MATTER OF POLICY TO GO ON WITH PAST PRACTICES OF PROVIDING NEGATIVE CERTIFICATION. . IBM REPS DID NOT EXPLAIN REASONS FOR CHANGE (OTHER THAN TO SAY PAST PRACTICES NOT KNOWN TO NOR REVIEWED BY SENIOR IBM OFFICIALS).

4. IBM WILL APPROACH SAG THROUGH JIDDA AGENT (AHMAD JUFFALI) WHO IS EXPECTED TO SEEK UNDERSTANDING ON ACCEPTANCE OF POSITIVE CERTIFICATIONS BY IBM. SINCE LATTER IN SUBSTANCE CONVEY SAME ASSURANCE OF NON-ISRAELI ORIGIN AS NEGATIVE CERTIFICATION, IBM HOPES AGREEMENT MIGHT BE REACHED. THEY RECOGNIZE, HOWEVER, THAT POLITICAL/EMOTIONAL FACTORS COULD DOMINATE LOGIC IN SENSITIVE ISSUE LIKE BOYCOTT.

5. IBM REPS ALSO INTEND SEEK MEETING WITH AMBASSADOR ALIREZA. DEP ASST SECY SOBER BELIEVED SAUDI EMBASSY AND CONGEN HAVE NO DISCRETION TO CHANGE BOYCOTT PRACTICES. NONETHELESS, SOBER AND IBM REPS AGREED IT USEFUL TO APPRISE ALI REZA OF IBM NEED TO WORK OUT NEW SHIPPING AND OTHER ARRANGEMENTS (E.G., LETTER OF CREDIT REQUIREMENTS) ON BASIS OF POSITIVE STATEMENTS/CERTIFICATIONS IN NORMAL COMMERCIAL USAGE.

6. LAW AND CARRAZZONE INDICATED IBM DECISION LEAVES SOME DISCRETION TO PROVIDE LIMITED NEGATIVE CERTIFICATIONS (NOT OF ISRAELI ORIGIN) DURING INTERIM PERIOD WHILE IBM SEEKS TO WORK OUT NEW MODUS VIVENDI WITH SAG. POLICY ON LETTERS OF CREDIT (L/C'S) LESS CLEAR THOUGH THERE IS NO QUESTION CONFIDENTIAL

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BUT THAT IBM PLANS TO SEEK TO WORK OUT HANDLING OF L/C'S ON BASIS CONSISTENT WITH POSITION TAKEN ON SHIPPING INSTRUCTIONS.

7. SOBER INDICATED THAT IBM DECISION CONSISTENT WITH USG POLICY OF REQUESTING AND ENCOURAGING U.S. FIRMS TO AVOID TAKING ACTION IN FURTHERANCE OF FOREIGN BOYCOTTS OF COUNTRIES FRIENDLY TO U.S. IBM DESIRE TO AVOID CONFRONTA-

TION IN SEEKING TO WORK OUT NEW LANGUAGE ALSO CONSISTENT WITH USG DESIRE TO SEE FIRMS ACHIEVE PRACTICAL RESULTS IN TERMS OF RELAXATION OF BOYCOTT ENFORCEMENT REQUIREMENTS THEY FACE IN SAUDI ARABIA AND ELSEWHERE. ALTHOUGH U.S. OPPOSITION TO BOYCOTT OF ISRAEL IS CLEAR, WE ALSO VALUE EXPANSION OF COMMERCIAL TIES WITH ARAB STATES FOR BOTH ECONOMIC AND POLITICAL REASONS WITH LATTER CLOSELY TIED IN WITH U.S. EFFORTS BRING ABOUT NEGOTIATED ARAB-ISRAELI SETTLEMENT.

8. SOBER NOTED THAT SAG OFFICIALS GAINING GROWING APPRECIATION OF PROBLEM CAUSED FOR U.S.-ARAB ECONOMIC TIES BY ARAB REQUIREMENTS FOR ACTS OF BOYCOTT ENFORCEMENT BY U.S. FIRMS. ALTHOUGH ISSUE OF HOW GOODS ARE DESCRIBED (POSITIVE COMPARED TO NEGATIVE CERTIFICATION OF ORIGIN) MIGHT HAVE LITTLE IF ANY SUBSTANTIVE IMPORTANCE, PROBLEMS CAUSED FOR U.S. FIRMS BY NEGATIVE CERTIFICATION REQUIREMENTS WERE IMMENSE. FAILURE TO WORK OUT SOLUTION ALSO COULD STIMULATE NEW TOUGHER LEGISLATION RESTRICTING ABILITY OF U.S. FIRMS TO DO BUSINESS.

9. SOBER SAID WE HAD SEEN NO SIGN OF SAG RELAXATION/ ACCOMMODATION ON BOYCOTT ENFORCEMENT (OUTSIDE AREA OF DIRECT USG INVOLVEMENT IN SAG PROGRAMS THROUGH CORPS OF ENGINEERS AND USGS). THOUGH HE COULD NOT BE OPTIMISTIC ABOUT IBM CHANCES OF WORKING OUT DESIRED LANGUAGE, HE WISHED IBM WELL. HE THOUGHT U.S. FIRMS MIGHT HAVE BETTER CHANCE OF SUCCESS THROUGH THEIR OWN EFFORTS IN AREA WHERE USG EFFORTS MIGHT SIMPLY STRENGTHEN ARAB PERCEPTION THAT USG IS LAUNCHING ATTACK ON BOYCOTT. KISSINGER

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